

**RUSSELL RECREATION COMMISSION**

Financial Statement With Independent Auditors' Report

For the Year Ended December 31, 2012

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For the Year Ended December 31, 2012

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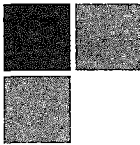
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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Russell Recreation Commission**  
Russell, Kansas

We have audited the accompanying summary statement of regulatory basis receipts, expenditures, and unencumbered cash of **Russell Recreation Commission**, a related municipal entity of the City of Russell, Kansas, as of and for the year ended December 31, 2012 and the related notes to the financial statement.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by **Russell Recreation Commission** to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles

generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### **Adverse Opinion on Aggregate Remaining Fund Information**

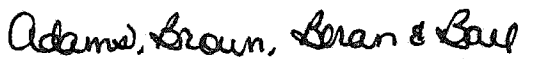
In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Related Municipal Entities" and "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraphs, the financial statement referred to above does not present fairly, in all material respects, the financial position of the aggregate remaining fund information of **Russell Recreation Commission** as of December 31, 2012, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **Russell Recreation Commission** as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* as described in Note 1.

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures and unencumbered cash (basic financial statement) as a whole. The summary of expenditures – actual and budget and individual fund schedules of receipts and expenditures (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement; however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

  
**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

October 23, 2013

**RUSSELL RECREATION COMMISSION**  
Summary Statement of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2012

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Fund General Fund	\$ 138,084	-	305,537	377,475	66,146	990	67,136
Composition of Cash					Checking Account	\$	67,136

The notes to the financial statement are an integral part of this statement.

## **RUSSELL RECREATION COMMISSION**

### **Notes to Financial Statement**

December 31, 2012

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#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Russell Recreation Commission** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statement is presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

##### **Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

##### **Financial Reporting Entity**

The Recreation Commission is authorized by K.S.A. 12-1922 under an agreement with the City of Russell, Kansas to provide a system of public recreation and playgrounds. The governing body of the Recreation Commission consists of five members appointed by the City of Russell, Kansas. These financial statements consist of all the funds of the Recreation Commission. The Recreation Commission receives funding from local and state governmental sources and must comply with the requirements of these funding sources.

The Recreation Commission is a component unit of the City of Russell, Kansas. The Recreation Commission is controlled by or dependent on the City of Russell, Kansas. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. This financial statement includes only the fund of the Recreation Commission.

##### **Basis of Presentation – Fund Accounting**

The accounts of the Recreation Commission are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of the Recreation Commission for the year ended December 31, 2012.

##### **Regulatory Basis Fund Types**

**General Fund** – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

##### **Basis of Accounting**

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or

## **RUSSELL RECREATION COMMISSION**

### **Notes to Financial Statement**

December 31, 2012

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represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Recreation Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Recreation Commission to use the regulatory basis of accounting.

#### **Departure From Accounting Principles Generally Accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Recreation Commission are not presented in the financial statement. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, and temporary notes are not presented in the financial statement.

#### **Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

#### **Reimbursements**

The Recreation Commission records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

#### **NOTE 2 – BUDGETARY INFORMATION**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Prior to certification of the budget to the City of Russell, Kansas, the Recreation Commission will meet to answer questions and objections of taxpayers relating to the proposed budget or for amendments to the proposed budget.
- b. Publication in local newspaper 10 days prior to meeting of the proposed budget and notice of public hearing on the budget.

## **RUSSELL RECREATION COMMISSION**

### **Notes to Financial Statement**

December 31, 2012

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- c. Public hearing at least 10 days after the date on which the Recreation Commission is required to certify its budget to the City of Russell, Kansas.
- d. Adoption of the final budget to the City of Russell, Kansas, no later than August 1<sup>st</sup>

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Recreation Commission for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

### **NOTE 3 – DEPOSITS AND INVESTMENTS**

**Russell Recreation Commission** follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary statement of receipts, expenditures and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the Recreation Commission. The statute requires banks eligible to hold the Recreation Commission's funds have a main or branch bank in the county in which the Recreation Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Recreation Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Recreation Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Recreation Commission has no investment policy that would further limit its investment choices.

#### **Concentration of Credit Risk**

State statutes place no limit on the amount the Recreation Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.



## **RUSSELL RECREATION COMMISSION**

Notes to Financial Statement  
December 31, 2012

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### **Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Recreation Commission's deposits may not be returned to it. State statutes require the Recreation Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Recreation Commission does not use "peak periods". All deposits were legally secured at December 31, 2012.

At December 31, 2012, the Recreation Commission's carrying amount of deposits was \$67,136 and the bank balance was \$67,464. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, all was covered by federal depository insurance.

### **Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Recreation Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Recreation Commission had no investments at December 31, 2012.

## **NOTE 4 – LITIGATION**

**Russell Recreation Commission** is a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Recreation Commission.

## **NOTE 5 – RISK MANAGEMENT**

**Russell Recreation Commission** carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile and work compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **NOTE 6 – RELATED PARTY TRANSACTIONS**

**Russell Recreation Commission** entered into an arms length transaction with a commission member. The City paid \$8,343 for services provided by a related entity, which the commission member was the owner, during the year ended December 31, 2012.

## **NOTE 7 – DEFINED BENEFIT PENSION PLAN**

### **Plan Description**

**Russell Recreation Commission** participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

### **Funding Policy**

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates.

## **RUSSELL RECREATION COMMISSION**

### **Notes to Financial Statement**

**December 31, 2012**

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Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

#### **NOTE 8 – COMPENSATED ABSENCES**

##### **Vacation and Sick Leave**

The director has a provision in his contract that states he is to receive 40 hours of vacation and sick leave per year. Any hours remaining at year end are lost.

**RUSSELL RECREATION COMMISSION**

Regulatory-Required Supplementary Information

**RUSSELL RECREATION COMMISSION**  
Summary of Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Type Fund</b>					
<b>General Fund</b>	\$ 400,000	-	400,000	377,475	(22,525)

**RUSSELL RECREATION COMMISSION**  
**General Fund**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Tax Appropriations	\$ 108,209	133,394	129,000	4,394
Program Fees	22,386	37,647	20,000	17,647
Concessions	7,396	5,030	13,000	(7,970)
Gate Revenue	4,802	1,082	9,000	(7,918)
Tournament Entry Fees	5,600	3,000	7,500	(4,500)
Donations	2,000	99,554	110,000	(10,446)
Memberships	-	24,245	15,000	9,245
Other Receipts	-	1,363	-	1,363
Interest on Investments	1,226	222	1,000	(778)
<b>Total Cash Receipts</b>	<b>151,619</b>	<b>305,537</b>	<b>304,500</b>	<b>1,037</b>
<b>Expenditures</b>				
Salaries - Director	35,000	37,500	35,000	2,500
Salaries - Other	14,966	17,545	6,000	11,545
Salaries - Concessions	2,377	1,832	3,000	(1,168)
Salaries - Building	-	3,943	-	3,943
Program Salaries	-	10,897	-	10,897
Health Insurance	1,913	2,184	5,000	(2,816)
KPERS Contributions	3,315	4,743	8,700	(3,957)
Workman's Compensation	781	761	1,000	(239)
Payroll Tax	5,134	6,484	5,000	1,484
Unemployment Tax	1,432	1,758	300	1,458
Accounting and Reporting	8,175	10,045	8,000	2,045
Automobile Expense	2,312	2,032	3,000	(968)
Awards	444	555	2,500	(1,945)
Concession Products	4,402	4,538	9,500	(4,962)
Concession Sales Tax	567	386	-	386
Insurance	2,255	4,427	2,000	2,427
Memorial Park Maintenance	19,132	10,802	17,000	(6,198)
Memorial Park Improvements	68,477	3,833	50,000	(46,167)
Membership Expenses	-	725	-	725
Capital Equipment	-	180	20,000	(19,820)
Office Expense	19,208	25,855	10,000	15,855
Rec. Ctr. Building Improvements	-	39,362	26,500	12,862
Rec. Ctr. Equipment	-	148,545	150,000	(1,455)
Program Expense	37,653	36,162	22,000	14,162
Tournament Expenses	900	165	3,000	(2,835)
Tournament Officials	5,177	2,216	12,000	(9,784)
Travel	-	-	500	(500)
Trails/Park Study	100	-	-	-
<b>Total Expenditures</b>	<b>233,720</b>	<b>377,475</b>	<b>400,000</b>	<b>(22,525)</b>
<b>Cash Receipts Over Expenditures</b>	<b>(82,101)</b>	<b>(71,938)</b>		
<b>Unencumbered Cash - Beginning</b>	<b>220,576</b>	<b>138,084</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 138,475</b>	<b>66,146</b>		